MARKETING ACTIVITIES

Market Margins and Costs

- Beef
- Pork

- Better practices for food supermarket managers
- Homemakers discuss pies and use of canned and frozen cherries

U. S. DEPARTMENT OF AGRICULTURE • AGRICULTURAL MARKETING SERVICE

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Editor, Milton Hoffman; Assistant Editor, Nick Kominus.

Food Supermarket Managers Get Results With New Improved Practices

By Martin Kriesberg and Martin Leiman

Results With New Practices
More sales per manhour
Better work methods
Improved employee relations
More effort on store merchandising
Better compliance with company directives
An increase in the effectiveness of supermarket managers

All of those results happened when improved management practices, developed by marketing specialists of AMS, were introduced into and tested in selected stores of an eastern supermarket organization. The practices were developed in three broad areas of work for which store managers are responsible:

* Adherence to company directives on store merchandising.
* Management of store employees.
* Application of techniques for simplifying work in the stores.

The research was conducted in 28 stores. New management practices were tested in 14 of the stores and a matched group was used as a control. Data for measuring results were gathered during the same period for both groups of stores.

Highlights of New Practices

The new manager practices designed to gain better adherence to company merchandising directives include: (1) A weekly summary of directives for all departments. This is a check list of specific actions that managers must carry out. (2) Techniques for conducting meetings of department managers--a follow-up to the directives. (3) Improved procedures for making biweekly store inspections. A simple form is used to guide the inspection work.

In the group of test stores where the new practices were tried, conformance to company directives increased from 50 percent before the program to 79 percent after the introduction of the new practices.

Improved Employee Relations

The new manager practices developed to improve relations with store personnel included: (1) Group meetings with store employees, rather than one large meeting. (2) File cards of employee interests and aspirations. The new manager should get this information and record it himself. (3) Task forces of employees utilizing their special interests on important company programs in the store. Recognition of their help after the job is done.

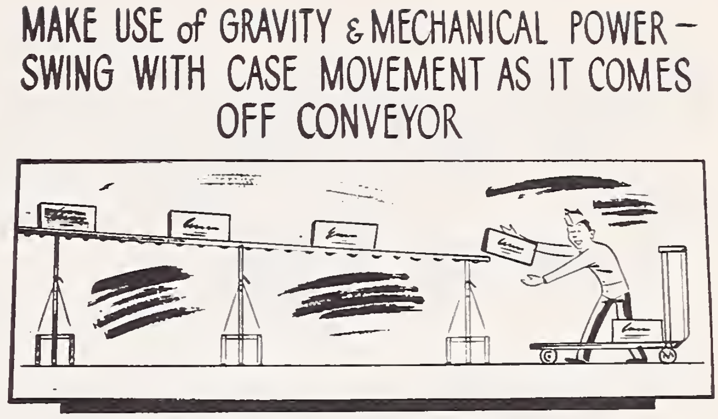
Employee expressions of job satisfaction in test stores were up more than 7 percent above that of control stores in the period following trial of the new practices. And, in response to a question on whether the store had become a better or worse place in which to work, test store employees, by almost 2 to 1, said: "Better."

In the control group the number saying "better" was only slightly greater than the number saying "worse." Employees of the test stores also had more favorable opinions about their store managers. The number of employees who rated their store managers very highly increased by 17 percent in test stores. In control stores the proportion remained substantially the same.

Employees were also asked if their store had programs for conserving store supplies and for preventing store accidents. Again, employees in test stores showed a marked improvement as compared to the control group. Employee awareness of a program to save on store supplies was up almost 17 percent more in test stores than in the control group. On the program to prevent store accidents, awareness in test stores was up 11 percent over that in the control group.

Improved Work Practices

Test store managers were instructed, in 2 meetings, in principles and applications of work simplification. The first meeting consisted of a brief discussion of the idea of work simplification and its value, a motion picture, and an outline of steps to be taken in putting the ideas



to work in the store. The second meeting reviewed the first discussion and covered some principles of work simplification.

Here are some of the principles discussed:

* Relieving hands of work which can be done by foot, a conveyor, or a holding device.
* Positioning tools, materials, and work surfaces to minimize hand, arm, and body movements.
* Developing a rhythmic pattern of work for comfort and convenience.
* Eliminating operations which can be avoided or which can be done in combination with essential tasks.
* Making use of gravity and mechanical power, rather than human effort, where practical.
* Minimizing nonproductive motions and gross body movements.
* Balancing crews in group operations to minimize standby time and idle equipment.

Sample show cards were drawn up to illustrate the application of these principles. A motion picture, made by AMS, illustrated how some of these principles had been applied to store operations and the savings which had resulted.

Store managers were then asked to select a particular job in the store, study it, and to try to reduce man-hour requirements for the job. Managers of test stores later reported numerous concrete tasks in which they had been able to effect savings in man-hours.

Broad Program of Research

The Agricultural Marketing Service study is part of a broad program of research on methods of increasing the efficiency of food wholesaling and retailing. Increased efficiency in these establishments can help to hold down the costs of marketing food.

Food supermarkets now account for more than half of the total retail food sales in the United States. The number of these stores has more than doubled in the last 10 years. At the same time, the number of units which make up local and regional chains and associations of retail food stores has increased. Thus, many problems connected with efficient management at store level have multiplied.

Trim Lettuce "Leaves First"

By Paul Shaffer and Paul Wischkaemper

What should be trimmed first, the butt or the bad leaves? That's a question retailers often ask when merchandising iceberg lettuce.

They generally believe that taking off bad leaves first and then slicing the butt saves more of the lettuce--but that slicing off the butt first and then taking off the bad leaves is faster and cheaper in trimming labor costs.

Marketing researchers of the Agricultural Marketing Service found that it is more profitable to take off the bad leaves first. They worked in 3 large supermarkets to determine which of these two most commonly used methods was more profitable.

The usual procedure in the stores studied was for the produce manager to divide the lettuce into 2 price lines based upon the size of the head. The lettuce was trimmed in the back room and divided while it was being displayed. So differences in trimming methods that affect the size of the head directly affect the price received for the lettuce.

More Lettuce for Higher Price Line

When the leaves were trimmed first, about 12 percent more of the lettuce was merchandised into the higher price line. When the spread between the price line is 6 cents, lettuce trimmed "leaves first" yields about 17.5 cents per carton more. But it costs about 2.5 cents more per carton to do the trimming. So the net gain is 15 cents a carton when the lettuce is trimmed "leaves first."

This gain is derived from a larger portion of the heads being merchandised into the higher price line. An important intangible gain comes from the fact that heads which do not change price lines are in better condition and so more readily salable. The amount of gain from this source was not measured.

During the experiment, 2 or more series of measurements of the difference in value of lettuce obtained by the 2 trimming methods were made in each store. Each time a study was made, 4 or more cartons of lettuce of a given lot, brand, and day's receipts were divided into 2 equal-size groups.

One group was then trimmed "leaves first" and the other was trimmed "butt first." The produce manager, or wet-rack man, then "merchandised" the lettuce into the 2 price lines. Records were kept of the number of heads from each trimming method that went into each price line. The man who "merchandised" the lettuce did not know that different trimming methods were used on any of the lettuce.

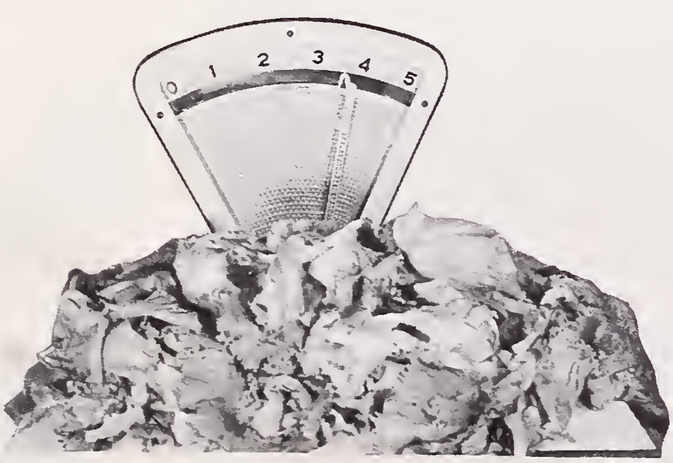
Measured Net Gain for 3 Supermarkets

The measured net gain, translated into average weekly terms for the 3 supermarkets on the basis of their average lettuce movement for 23 weeks, was as follows:

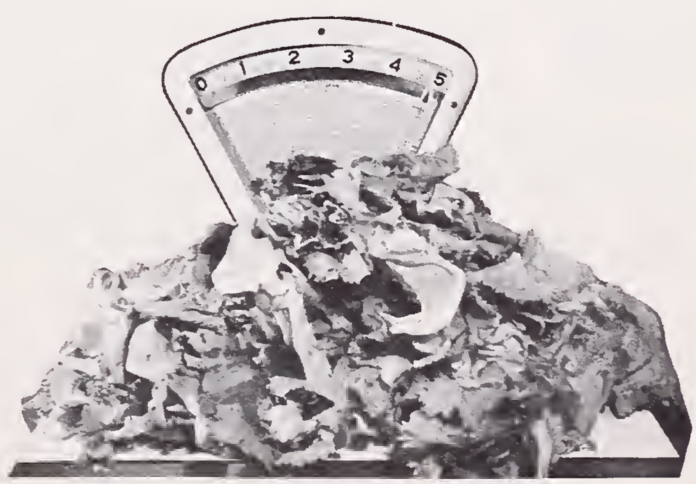
Store	Average weekly number of cartons sold (Number)	Average net gain per week (Dollars)
A	79	11.85
B	56	8.40
C	71	10.65

Of course, the amount of net gain depends on the trimmer's wage rate and the difference in retail price between large and small lettuce. The following shows the amount of net gain per carton for various spreads between the two retail price lines:

Spread between retail prices (Cents)	Net gain per carton by trimming "leaves first" (Cents)
2	$3\frac{1}{2}$
3	$6\frac{1}{2}$
4	9
5	12
6	15
7	18
8	21
9	24
10	27



"Leaves First"



"Butt First"

MARKETING MARGINS ARE WIDER

For Beef.--The difference between what the farmer gets for U.S. Choice grade beef on the hoof and what the consumer pays for the meat has fluctuated widely during the 7 years 1949-55. And the spread has gradually widened; in 1955, it was about 5 cents per retail pound more than at the start of the period.

Livestock producers received about 62 percent of the consumer's dollar spent for beef in 1955, and marketing agencies the remainder. This compares with 65 percent for producers in 1954, and 63 percent in 1953.

For Pork.--Marketing margins for pork also have been widening during this period. This is shown by a comparison of the price per pound of pork at retail and the price of its equivalent weight of 1.82 pounds in the live animal. Marketing margins have increased at an annual rate of 0.8 cents per retail pound of pork since 1947, when they averaged 17.5 cents. Since 1947, marketing margins for pork have increased gradually to 23.7 cents a pound in 1955, a record high. The record low was 8.2 cents in 1933, a depression year.

For Beef and Pork.--During the 1949-55 period, retail prices of meat and farm prices of livestock have moved up and down substantially. The cost of providing marketing services (labor, rent, supplies, transportation, and equipment) tend to remain rather constant over short periods, even though prices of livestock and meat change substantially in response to changed conditions of supply and demand. In short-run situations, such costs are not closely related to livestock and meat prices.

"Marketing margin" (or "price spread") is the difference between the price per pound the consumer pays for the meat and the payment the farmer receives for an equivalent quantity of live animal. It represents the return to marketing agencies for all the services required in marketing live animals from farm to packing plant, slaughtering the animals, and processing, wholesaling, and retailing the pork and beef products.

Per capita consumption of beef increased from 63 pounds in 1949 to an all-time high of 81 pounds in 1955. Consumption of pork was at the same level in 1955 as in 1949: 66 pounds.

for Beef

RETAIL P

...and for

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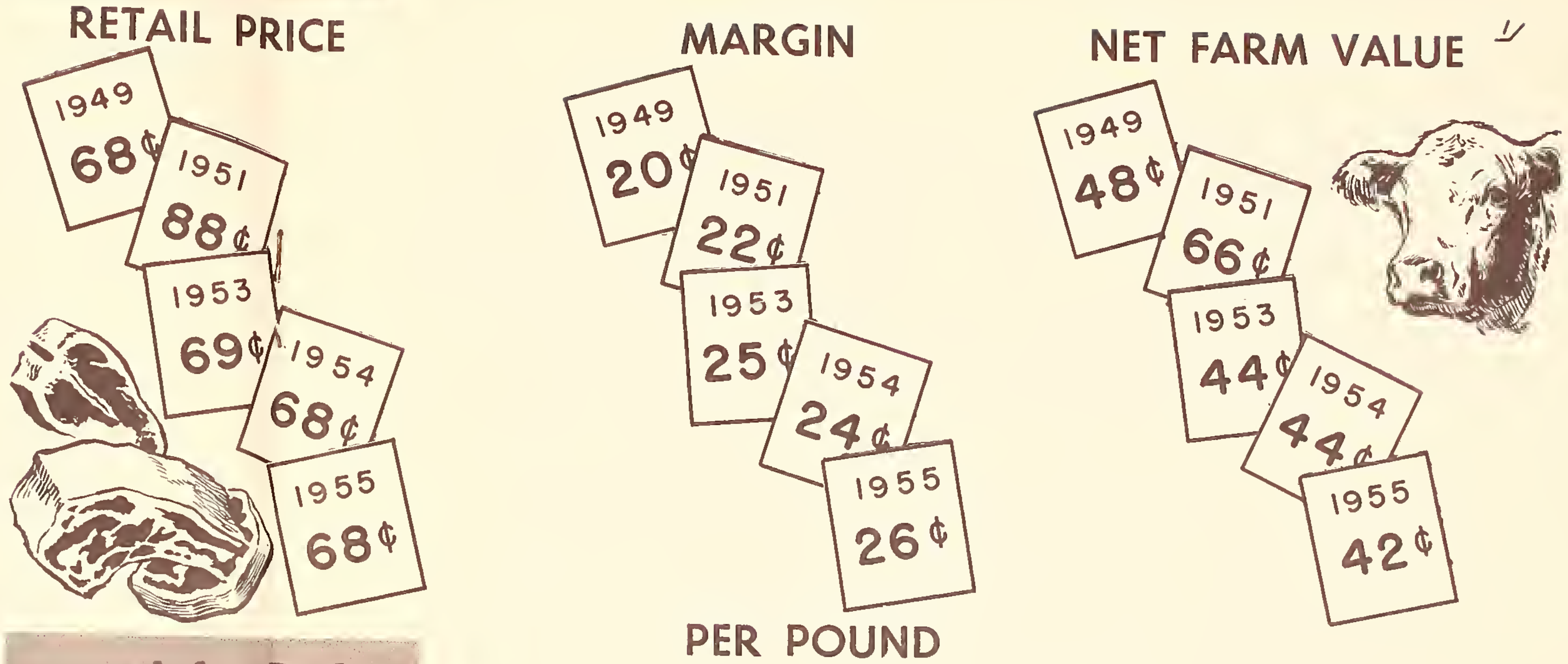
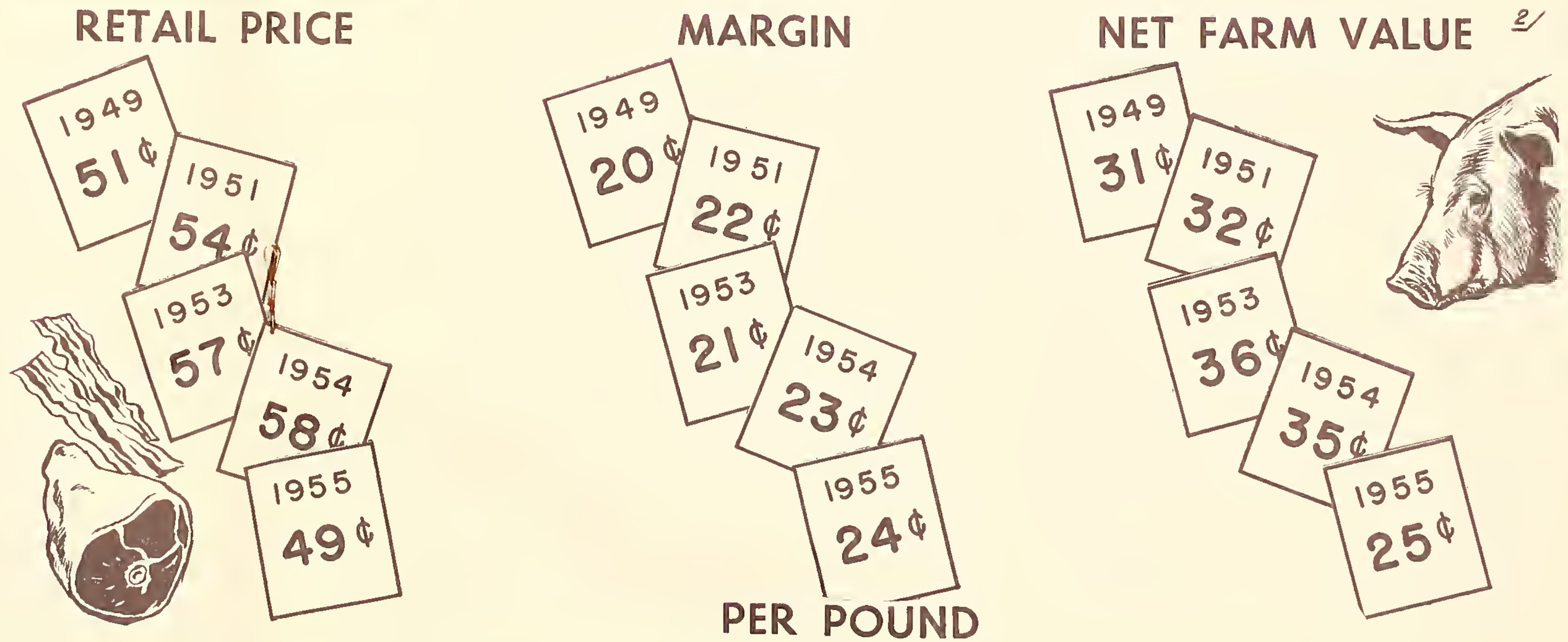


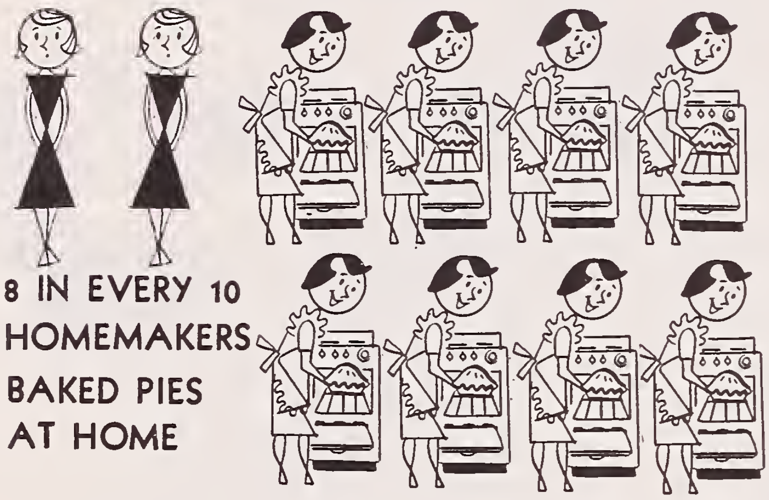
...and for Pork



1/ 2.16 pounds U.S. Choice grade Live Steer. 2/ 1.82 pounds Live Hogs.

Homemaker Preferences For Pies

By Daniel B. Levine



Pie baking in the home is still a widely practiced art in the three cities selected for study--Dallas, Detroit, and Kansas City. Eight in 10 homemakers in each of these 3 cities had baked at least one pie within the preceding year, according to results of the sample survey conducted by the Agricultural Marketing Service.

About half of the homemakers interviewed had purchased one or more pies within the year. Only 1 in 20 had not baked or bought a pie.

This consumer survey was made to assist industry in expanding the consumption of red sour cherries--a product principally used as a pie filler. A total of 1,053 homemakers was interviewed in the 3 cities. They were asked to discuss their pie-baking habits. They were also asked specific questions on the use of cherries, both as a pie filler and as a dessert.

The average housewife in the 3 test cities baked pies fairly frequently in the past year. But she did not restrict herself to any one kind of a pie. Roughly speaking, out of every 10 pie bakers, 4 baked pies once or more a week; 2 baked pies between 2 and 3 times a month; only 1 baked once every month or less. Specific kinds of pies, on the other hand, were baked less than 6 times a year by about half of the homemakers, whereas only 10 to 20 percent baked any one pie as often as 2 or more times a month.

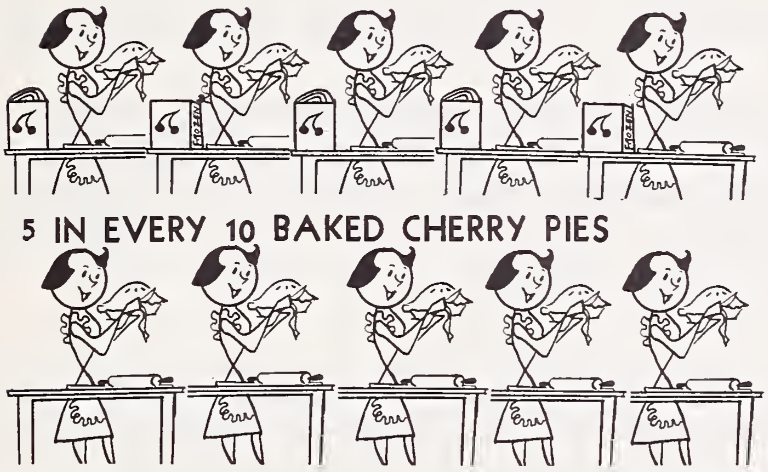
Apple pie was baked by more homemakers than any other pie. Over 80 percent of the home pie bakers in each city had baked at least one apple pie in the past year. Following apple pie in incidence of home baking were cherry, pumpkin, lemon cream, and chocolate pies.

More than half of the home pie bakers in each city had baked at least one cherry pie in the past year: 57 percent in Detroit; 66 percent in Dallas, and 75 percent in Kansas City. The "tart, tangy taste" of the cherry pie and the "family's asking for it because we like it" were frequent reasons given for baking cherry pies. Other replies included "cherry flavor," "variety--something different," and "pretty, looks good to eat--we like the red color."

Canned red sour cherries were used by more homemakers in baking cherry pies than all other cherry products combined.

...and Canned and Frozen Cherries

In Dallas, Detroit, and Kansas City



Approximately 8 in every 10 homemakers baking cherry pies had used canned red sour cherries for this purpose within the year. Only 2 in 10, or less, had used other forms of cherries in baking pies.

Canned red sour cherries (water pack) were used for some purpose other than as a pie filling by relative few of the homemakers in each test city. Altogether, only some 14 percent in Detroit and 19 percent in both Dallas and Kansas City had found an alternative use for the water-pack cherry.

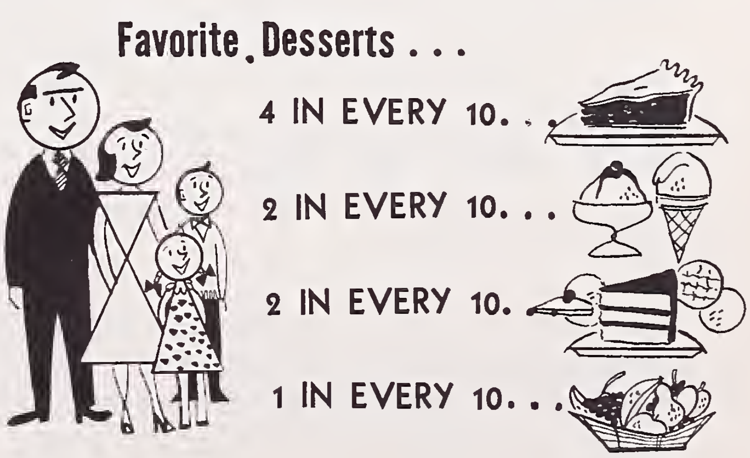
Many homemakers interviewed said they "didn't know how to use them except in pies," "didn't have a recipe calling for them," or "just haven't thought of it--never think of it except for pies."

In Dallas, only 19 percent of the homemakers interviewed had heard of **frozen cherries;** as many as 51 percent in Detroit and some 64 percent in Kansas City were aware of frozen cherries. Awareness of the product and use of the product were two different things. Only some 4 percent in Kansas City, and even less in Dallas and Detroit, had used frozen cherries for some purpose other than pies.

Awareness of the availability of **canned red sour cherries in syrup** varied considerably among homemakers in the 3 cities. Out of every 10 homemakers interviewed, only 2 in Dallas and approximately 4 in Detroit and Kansas City were aware of the product. Therefore, a majority in all 3 cities reported that they had never heard of canned red sour cherries in syrup. As with frozen cherries, relatively few--5 percent or less--of the homemakers had used the product for some purpose other than as a pie filling.

Pie was considered the **favorite dessert** by a majority of both men and women. Ice cream, cake, cookies, and other baked goods--in that order--were next in preference as a favorite dessert. About 1 in 5 selected ice cream; somewhat fewer preferred cake, cookies, or other baked goods.

This article is a summary of major findings of the consumer survey made in the 3 cities by the Market Development Branch of AMS with the cooperation of the National Red Cherry Institute and the Cherry Growers, Inc.



Merchandising Canned Red Sour Cherries

By Hugh M. Smith, Wendell E. Clement, and W. S. Hoofnagle

The industry trend toward packing canned red sour cherries in the small can size does not correspond to consumer preference, at least in the Pittsburgh (Pa.) market. Results from retail sales experiments revealed that consumers in the Pittsburgh market, when confronted with an unbiased choice, purchased 5 cans of No. 2 (large) to each 4 cans of No. 303 (small).

Retail store tests were conducted by the Market Development Branch of AMS and the Pennsylvania State University. The 2 sizes of cans of red sour cherries, similarly labeled and selling for approximately the same price per ounce, were displayed side by side in 12 retail food stores of the self-service supermarket type for a 12-week period. The larger can (No. 2) holds 19 ounces, the smaller (No. 303) holds 17.

Trend Toward Smaller Can

For many agricultural products, the general trend of consumer preference during the past several years has been toward a smaller can. Packers of red sour cherries (water pack, pitted) also shifted toward the smaller can in the absence of available information concerning consumer preference. This trend is shown by the following comparison:

In 1952, over 2 million cases of No. 2 cans (19 ounces) were packed; and 375,000 cases of No. 303 cans (17 ounces). In 1954, the pack consisted of about 850,000 cases of the larger size and over 1.1 million cases of the smaller size. In the face of this reversal, producers and processors became concerned that the long-time demand for their product might be affected adversely if the trend to pack cherries in the small can continued.

The Pittsburgh study was made to test consumer preference. In the store experiments an equal number of rows of the large and small cans was displayed, side by side, on the shelf, and also in island displays for a short time. The tests were made from February 21 through May 14, 1955. Consumers were offered the same brand and quality of cherries in both can sizes.

The cherries retailed at approximately the same price per ounce, regardless of can size, with the large can priced at 2 for 55 cents and the small can priced at 2 for 49 cents. Advertising and promotion were applied equally to both can sizes.

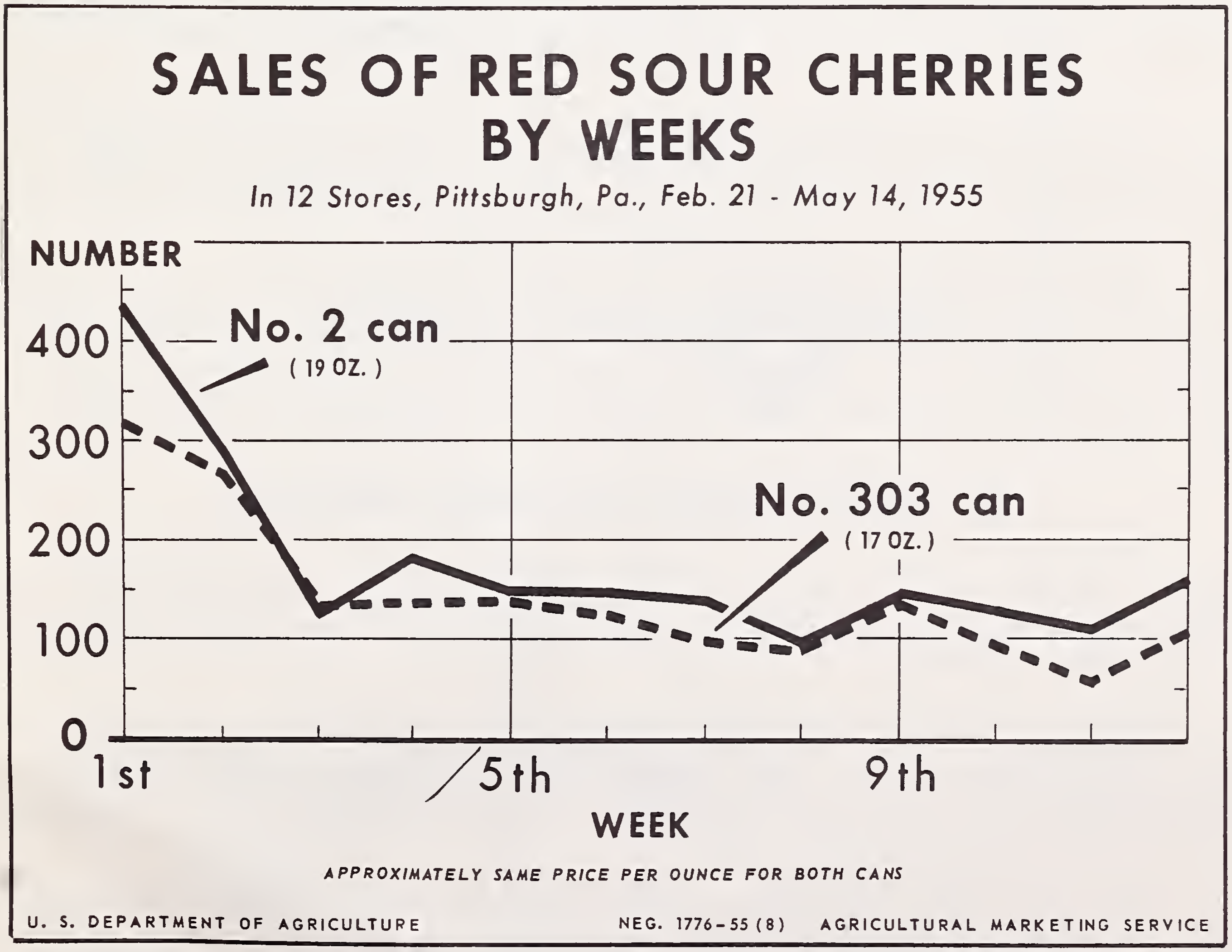
Larger Can Size Outsold Smaller Can

The larger can size outsold the smaller can by a substantial number in 11 of the 12 weekly periods, and in 11 of the 12 stores in the experiment. Moreover, sales of the larger can exceeded sales of the smaller can by an even larger margin in all 12 weeks of the study in terms of the total quantity of cherries sold.

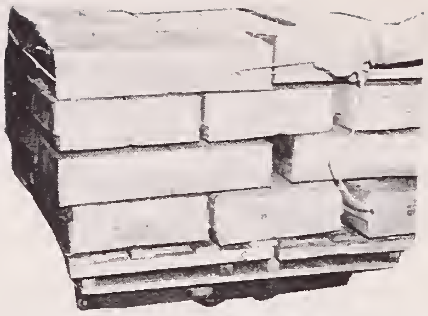
Sales of both can sizes reached a seasonal peak during the first week of the experiment because of the promotional program associated with Washington's Birthday.

As might be expected, larger stores generally sold more cherries than smaller stores. Consumer preference for the larger can size was generally consistent, regardless of size of store or its location in the city.

Measured by total pounds, 39 percent more cherries were sold of the larger can size than the smaller during the experiment. Researchers believe this is particularly significant since less than half of the total red sour cherry pack in 1954 was in the larger (No.2) cans.



Faster Handling Of Loaded Pallets



By Theodore H. Allegri

Forklift trucks can handle loaded pallets easier when the containers on the top tier of each load are tied together. Of several tying methods, one of the fastest and easiest is with rope that has quick-tying metal fasteners attached.

The rope comes with a loop formed at the end that is held by the quick-tying fastener. It can be tightened and tied by one twist of the wrist and untied rapidly by pulling the free end.

Faster to Tie, Faster to Untie

In comparing plain rope ties with quick-tying rope ties, industrial engineers of the Agricultural Marketing Service found that the quick-tie is 63 percent faster to tie and 75 percent faster to untie.

There is no struggling with knots that slip because there is no knot to tie. Greater tension is placed on the rope through the quick-tie so the load is more securely held. The quick-tying rope does not bind on the load so it's much easier to untie.

Plain rope ties are usually cut in 22-foot lengths. A 3-inch lasso is made at one end and a knot is placed at the other end to prevent raveling. The warehouse handlers make up a supply of these ropes periodically. The quick-tying rope costs a third more than plain rope, but this does not include the cost of labor for preparing the plain rope tie.

Less Danger of Dropping and Damaging Containers

By tying the top tier of a pallet load, the pallet can be handled faster. There is less danger of dropping and damaging containers and, in making sharp turns, the containers will not slip off the load if a corner of the load is struck.

There are several other ways of tying the containers in the top tier of the pallet load. Some of these are: Placing a large piece of heavy paper under the top tier of cans, using adhesives, steel strapping, binding wire, or rope ties.

The strap, wire, and rope tie are the most effective from the standpoint of general purpose warehouse operations. Rope ties are more widely used because they are not applied by special equipment and are somewhat more economical.

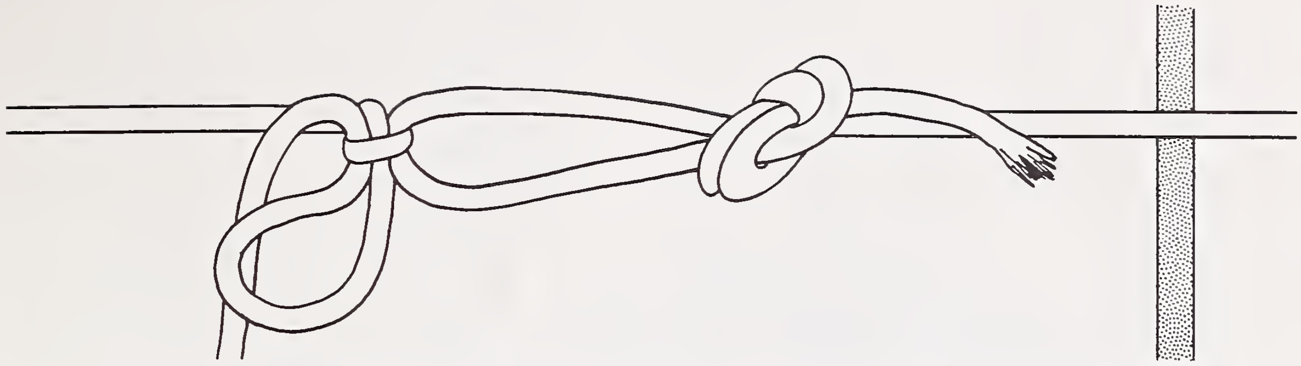


FIGURE 1.--A pallet load tied with sisal hemp rope.

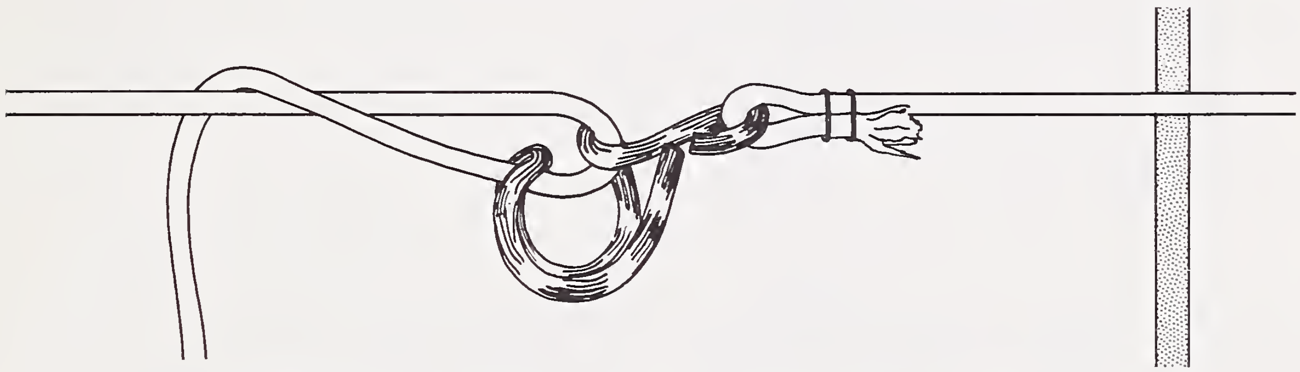


FIGURE 2.--A pallet load tied with the quick-tying rope.

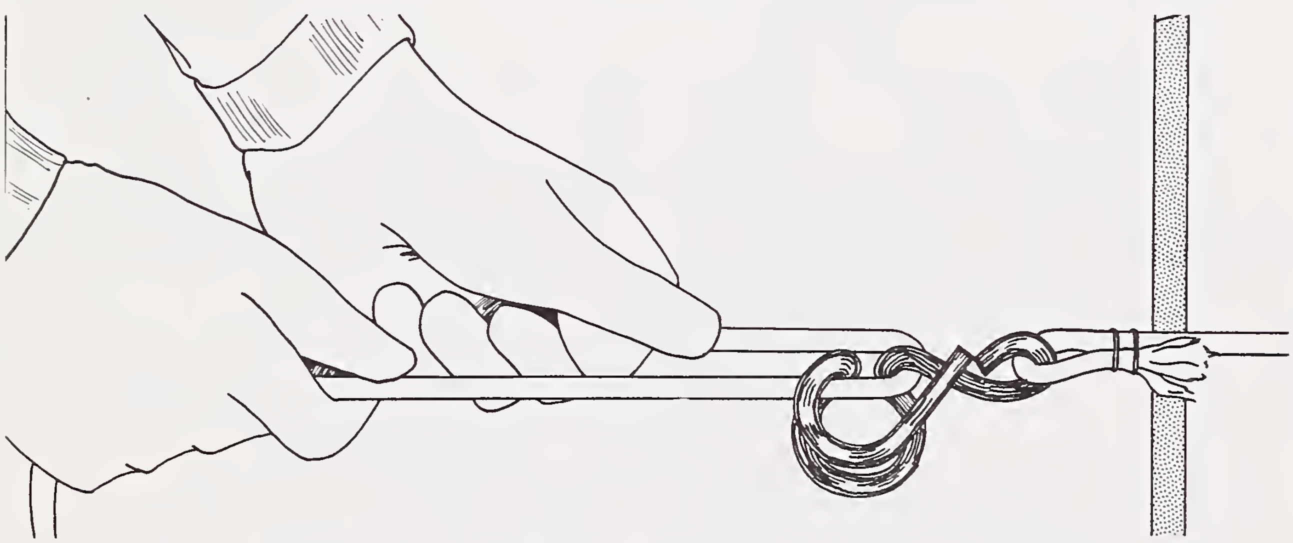


FIGURE 3.--Tying a load with the quick-tying rope.

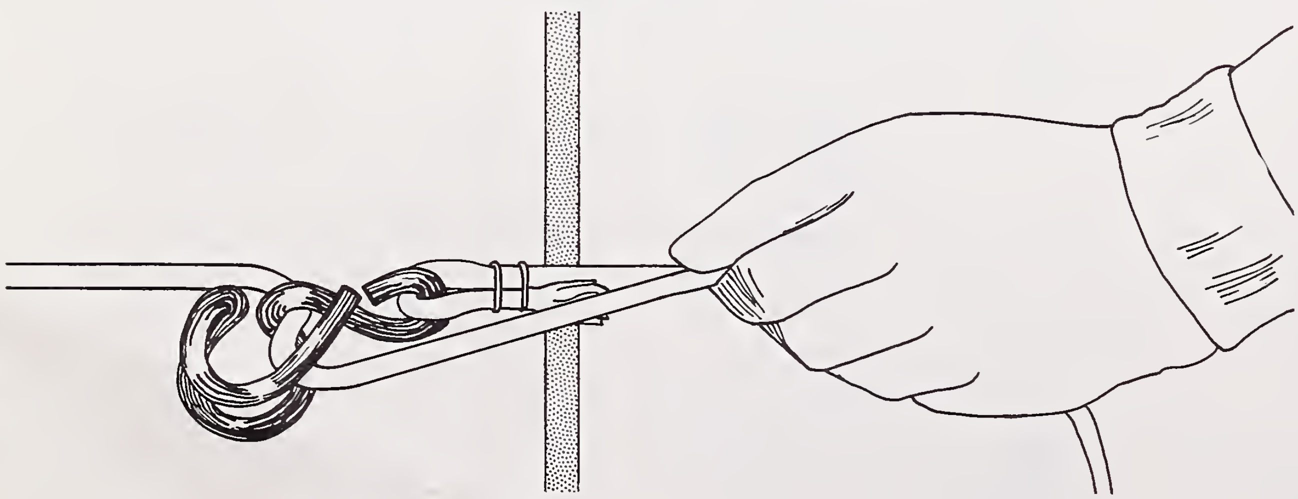


FIGURE 4.--Releasing a quick-tying rope.

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